Executive Summary

This analysis of interstate migration data from the Internal Revenue Service (IRS) considers the portion of Ohio's population that migrates in or out of the state each year. Out-migration has contributed to Ohio's relatively slow population growth. Over a 15-year period between 1988 and 2003, more people left Ohio than came into the state each year. In 2003, Ohio lost more households per 1,000 than all but nine other states and the District of Columbia. However, migration does not appear to be linked to state income-tax policy.

Median incomes of those migrating in or out of Ohio were substantially lower than median incomes of those staying in Ohio. Median incomes of those who left were slightly higher than for those who entered the state, although that gap is narrowing. Other findings include:

♦ More Ohioans migrate to Florida than any other state: in 2003, 14% of outward migrants went to that southern state. Other top states of choice are Kentucky, Michigan, Indiana, California, and Pennsylvania. Of these, only Florida has no personal income tax.

♦ The same states that attract Ohioans send people here. Florida is always the top sender state. Michigan, Kentucky, Pennsylvania, Indiana, and California usually rank among the top five senders.

♦ All states bordering Ohio except Kentucky have negative migration rates (more people leaving than coming in) for most of the fifteen years studied. Overall, states with negative migration rates have a variety of state income tax policies.

♦ In 2003, Ohio lost nearly three households for every 1,000 in the state (a rate of -2.9). In that same year, area states with flat income tax rates fared poorly as well. Illinois and Michigan were worse (losing 5.5 and 3.6 households per 1,000) and Pennsylvania gained a negligible .03 households per 1,000. Two states (of eight total) with no state income taxes, Wyoming and South Dakota, also had negative migration rates.

During the period studied, Ohio made two major changes to its income tax structure that would be likely to affect migration if income taxes were a major factor in location decisions. In 1993, Ohio added a top tax rate of 7.5% on income of $200,000 or more. Between 1996 and 2000, a temporary income tax cut was in place, which returned more than $2.2 billion to taxpayers during those years. Thus, if income taxes were a significant factor in such decisions, we might expect outward migration to have increased between 1993 and 1996, and to have decreased between 1996 and 2000. In fact, outward migration does not correspond to these predictions.

In 2003, the final year of analysis, the 92,147 households that left Ohio represented 2 percent of Ohio households, while those that entered Ohio made up 1.8% of households. Some population changes attributed to migration may instead be due to aging – for example, a recent 5.3 percent drop in 25 to 44 year olds was accompanied by an 11.8 percent gain in 45 to 64 year olds.

In sum, migration does not appear to be linked to income tax policy. Policymakers seeking to prevent outward migration should look to policy other than income-tax policy to alter the trend.